

Message Text

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PAGE 01 RIO DE 02906 281733Z
ACTION TRSE-00

INFO OCT-01 ARA-10 EUR-12 NEA-11 ISO-00 EB-08 XMB-02
AID-05 OPIC-03 CIAE-00 INR-10 NSAE-00 /062 W
-----070272 281800Z /72

P 281624Z JUN 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC PRIORITY 6410
INFO AMEMBASSY BRASILIA PRIORITY
AMEMBASSY PARIS
AMEMBASSY TUNIS
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 2906

E.O. 11652: N/A
TAGS: BTRD, BR, CO
SUBJECT: GOB EXPORT CREDIT TO COLOMBIA

REF: (A) STATE 157548, (B) BRASILIA 4920, (C) STATE 160740

1. CONGEN E/C OFFICER MET WITH STAFF MEMBER OF CACEX, THE FOREIGN TRADE DEPARTMENT OF THE BANK OF BRAZIL, ON JUNE 27, 1978, TO DISCUSS SUBJECT GOB EXPORT CREDIT. (FYI: APPOINTMENT HAD ORIGINALLY BEEN MADE WITH MR. JORGE BRASIL, CHIEF OF THE CACEX DIVISION WHICH ADMINISTERS FINEX. UPON ARRIVAL, CONGEN E/C OFFICER WAS INFORMED THAT MR. BRASIL WAS UNABLE TO ATTEND AND MEETING WAS HELD WITH FINEX STAFF MEMBER VALDIR VERDEKER. VERDEKER WAS WELL INFORMED ON SUBJECT EXPORT CREDIT AND ALSO PROMISED TO CONVEY U.S. VIEWS TO MR. BRASIL. FOLLOW-UP TELECON WITH MR. BRASIL CONFIRMED THIS. END FYI.)

2. CONGENOFF MADE PRESENTATION BASED ON MATERIAL IN REFTEL A AND TALKING POINTS SUPPLIED BY AMEMBASSY BRASILIA. WHILE CACEX OFFICIAL WAS RECEPTIVE TO U.S. VIEWS ON THE NEED TO LIMIT COSTLY COMPETITION CAUSED BY UNFAIRLY SUBSIDIZED EXPORT CREDIT
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PAGE 02 RIO DE 02906 281733Z

INTEREST RATES, HE INDICATED THAT CACEX HAD NO INTENTION OF CHANGING ITS INTEREST RATE POLICY FOR THE FINEX EXPORT CREDIT PROGRAM. WHEN INFORMED THAT EXIMBANK WAS PREPARED TO MATCH THE LOWER RATE, CACEX OFFICIAL REGISTERED NO CONCERN AND INDICATED THAT, IN VIEW OF THE COLOMBIANS' IMPOSITION OF A 6 PERCENT INTEREST RATE CEILING ON EXPORT CREDITS FOR THE BID UNDER DISCUSSION, HE ASSUMED EXIMBANK HAD ALREADY LOWERED

ITS RATE.

3. CACEX OFFICIAL ALSO STRESSED FACT THAT THE MINIMUM INTEREST RATE CHARGED ON FINEX-SPONSORED EXPORT CREDITS FOR CONSTRUCTION EQUIPMENT IS 7 PERCENT. HE EXPLAINED THAT FINEX EXPORT CREDITS WERE PROVIDED TO BRAZILIAN FIRMS ENGAGED IN EXPORT (SELLERS CREDITS) AND THAT INTEREST RATES CHARGED BY CACEX TO THESE FIRMS NEVER FELL BELOW THE MINIMUM RATES ESTABLISHED BY CACEX. HOWEVER, HE ALSO NOTED THAT THE BRAZILIAN FIRM COULD OFFER A LOWER INTEREST RATE TO THE BUYER IN ORDER TO MEET INTERNATIONAL COMPETITION, BUT STRESSED THAT THE INTEREST RATE DIFFERENTIAL WOULD BE COVERED BY EXPORTER AND NOT BY CACEX. IN THE CASE AT HAND, CACEX OFFICIAL NOTED THAT THE BRAZILIAN FIRM (J.I. CASE OF BRAZIL) HAD BEEN GIVEN AN EXPORT CREDIT AT 7 PERCENT INTEREST BY CACEX. THE ACTUAL BID AT 6 PERCENT REPRESENTED AN INDEPENDENT DECISION BY J.I. CASE, WHICH WOULD COVER THE 1 PERCENT INTEREST DIFFERENTIAL ITSELF. CACEX OFFICIAL FURTHER ASSUMED THAT THIS COST WOULD BE INCLUDED IN THE PRICE OF THE CONSTRUCTION EQUIPMENT OFFERED BY THE FIRM.

4. CACEX OFFICIAL EXPLAINED THAT MINIMUM INTEREST RATES ON FINEX EXPORT CREDITS FOR VARIOUS PRODUCTS ARE FIXED AT THE SAME LEVEL AS INTEREST RATES CHARGED BY THE IDB FOR LOANS IN CORRESPONDING ECONOMIC SECTORS. FOR MOST PRODUCTS, THIS MINIMUM RATE IS 7 PERCENT. HOWEVER, CACEX OFFICIAL NOTED LIMITED OFFICIAL USE

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PAGE 03 RIO DE 02906 281733Z

THAT HIGHER RATES WERE OFTEN USED, WITH ROUGHLY 80 PERCENT OF ALL FINEX EXPORT CREDITS CARRYING INTEREST CHARGES OF AT LEAST 7.5 PERCENT.

5. FOR PARIS AND TUNIS: DURING GENERAL DISCUSSION ON NEED TO LIMIT UNFAIR COMPETITION INVOLVING EXPORT CREDIT INTEREST RATES AND ON THE OECD GUIDELINES ESTABLISHED FOR THIS PURPOSE, CACEX OFFICIAL MENTIONED A RECENT BID IN TUNISIA IN WHICH THE FRENCH GOVERNMENT HAD OFFERED EXTREMELY LOW INTEREST RATES ON OFFICIAL EXPORT CREDITS. ACCORDING TO CACEX INFORMATION, THE FRENCH HAD OFFERED AN OFFICIAL, GOVERNMENT TO GOVERNMENT EXPORT CREDIT AT 3.5 PERCENT INTEREST AND WITH A 25 YEAR REPAYMENT PERIOD. THE BIDDING CONCERNED THE PURCHASE OF RAILROAD CARS AND TOOK PLACE DURING FEBRUARY, 1978.

6. EMBASSY CONCURS.
DEXTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, CREDIT, CONSTRUCTION EQUIPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 28 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978RIODE02906
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780267-0992
Format: TEL
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780611/aaaaajqf.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ecbec97d-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 157548, 78 BRASILIA 4920, 78 STATE 160740
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2172474
Secure: OPEN
Status: NATIVE
Subject: GOB EXPORT CREDIT TO COLOMBIA
TAGS: ETRD, BR, CO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ecbec97d-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014